

Message Text

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TO USMISSION NATO PRIORITY

C O N F I D E N T I A L STATE 186550

E.O. 11652: GDS

TAGS: ETRD, XH, NATO

REF: USNATO 4195 AND US NATO 4329

SUBJ: ECONAD MEETING OF SEPTEMBER 20

1. MISSION MAY OFFER FOLLOWING COMMENTS ON AC 127-WP/358 (SOVIET INDEBTEDNESS).
 2. SECRETARIAT SHOULD BE COMMENDED FOR A VERY USEFUL ANALYSIS AND DESCRIPTION OF AN IMPORTANT TOPIC.
 3. WE HAVE GENERAL DIFFICULTY WITH THE CRITERION EMPLOYED FOR CALCULATING SOVIET ABILITY TO SERVICE ITS EXTERNAL DEBT. WE THINK THIS CRITERION SHOULD BE SOVIET HARD CURRENCY EXPORTS, PAST AND PROJECTED. HOWEVER, THE STUDY USES SOVIET EXPORTS EITHER TO NATO COUNTRIES OR TO ALL INDUSTRIALIZED NON-COMMUNIST COUNTRIES, AND EITHER CRITERION INCLUDES SOME BARTER ARRANGEMENTS, AND EXCLUDES SOME
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HARD CURRENCY EXPORTS.

4. A SECOND DIFFICULTY , ALTHOUGH PARA 12 DISCUSSES THE MATTER, IS THAT CREDITS FROM NON-NATO COUNTRIES SUCH AS JAPAN, SWEDEN AND SWITZERLAND (ESPECIALLY NON-GOVERNMENT GUARANTEED) HAVE NOT BEEN TAKEN INTO ACCOUNT IN THE OVER-ALL ANALYSIS. FURTHERMORE, THE PAPER DEALS ONLY WITH GOVERNMENT-GUARANTEED CREDITS, WHICH IS UNDERSTANDABLE FROM THE VIEWPOINT OF DATA COLLECTION, BUT SOME MENTION

MIGHT BE MADE OF FACT THAT TOTAL SOVIET INDEBTEDNESS WOULD BE HIGHER IF NON-GOVERNMENT-GUARANTEED CREDITS WERE ALSO CONSIDERED.

5. SOME COMMENTS OR QUESTIONS ON SPECIFIC PARAGRAPHS FOLLOW:

PARA 7 - WHAT INFORMATION PROVIDES THE BASIS FOR THE CALCULATION THE REAL INTEREST RATES VARY BETWEEN 7 AND 8?

PARA 8 - WHILE NATO-COUNTRY-GUARANTEED NET CREDITS SHOW A DECLINE OVER 1970-72, WE BELIEVE AN INCREASE WOULD BE SEEN IF NON-NATO COUNTRIES AND NON-GOVERNMENT GUARANTEED CREDITS WERE FACTORED IN. USING A SOMEWHAT DIFFERENT METHODOLOGY, WE SEE SOVIET CREDITS GOING (IN MILLION US \$) FROM 321 (1970) TO 237 (1971) TO 468 (1972) TO AN ESTIMATED NEARLY 700 FOR 1973.

PARA 9 - WE ARE UNCERTAIN OF THE POINT OF THE CALENDAR OF FUTURE SERVICE PAYMENTS, WHICH FAILS TO INCLUDE THE EFFECT OF NEW BORROWINGS AFTER THE SECOND HALF OF 1972.

PARA 23 (III) IF OVERALL SOVIET HARD CURRENCY EXPORTS WERE BEING MEASURED, WE THINK A 6 TO 7 GROWTH RATE FOR THE NEXT FEW YEARS MIGHT BE A BETTER CONCLUSION.

PARA 36 - IN VIEW OF VERY LARGE CONTEMPLATED INCREASES IN EXPORTS OF SOVIET FUELS, FOR WHICH THE FUTURE SEEMS VERY BULLISH, WE WONDER IF THE RISK MENTIONED TO SOVIET CREDIT-WORTHINESS IS NOT REALLY MINIMAL. RUSH

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